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of Chinese Communist Military Victories in
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25X1A [REDACTED] Note: This report analyses possible consequences in central China in view of Chinese Communist gains in Manchuria and north China. It does not take into account the possible effect of U. S. military aid. This report does not lend itself to formal evaluation and is therefore ungraded.

1. Successful CCP gains in Manchuria and north and central China would probably not be followed by direct Communist attacks on the large cities of central China. Kuomintang military forces would in such circumstances be increasingly concentrated in the Shanghai area. Moreover, the presence of anti-Communist foreign elements, especially American military personnel, in Shanghai and Tsingtao, is still a factor which restrains CCP activities in this area. Barring a major catastrophe, Nationalist defeats in the north would still leave the Kuomintang capable of maintaining itself in Shanghai and southeast China, including Formosa. Rather than assault large cities like Shanghai, the Communist forces may be expected to confine themselves to harassing actions, efforts at concentrated sabotage, and attempts to force an economic breakdown.

Uncontrollable violence in Shanghai during 1948 is unlikely. Although student elements and intelligentsia in Shanghai are considerably disgusted with the Central Government, and although CCP elements and organizers in some Shanghai universities are known and CCP labor, propaganda and party organizers do exist, they are not sufficiently organized to be a serious threat. Demonstrations for abrogation of the Sino-Soviet Treaty and CCP-inspired student and labor strikes are possible. The increasing refugee problem in Shanghai may add to civil disturbances or riots, the basic cause of which is still primarily economic rather than political. Continued efforts by Kuomintang right wing elements to use

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Kuomintang police and extremist methods to suppress dissatisfaction resulting from maladministration could unite discontented elements into an organized opposition. At present, however, the local police and garrison are sufficiently organized and equipped to cope with the situation. In order to create or control a state of chaos in Shanghai, Chinese Communist elements would need alignment with such forces as TU Yueh-sheng and local police authorities. Such an alignment is unlikely.

3. The election of LI Tsung-jen will in part revitalize Chinese liberal elements and to some extent increase their support of the Central Government.
4. The return of HO Y ing-chin to the military-political arena to assist the Generalissimo in controlling and directing military cliques will probably improve the situation for the Central Government in the Shanghai area and southeastern China at least.

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